Case Study
The Building Development Management Process in Bourgas

1 THE ROLE OF LOCAL GOVERNMENT IN BULGARIA

The implicit relationship between municipal government and its citizens is rapidly changing in Bulgaria. The transition from a centrally planned system to a market-based economy is not only a philosophical transition, but is a characteristic transition from Bulgaria seeing itself as responsible **for** the people to being responsible **to** the people. The primary shortcoming of the system is a lack of incentive.

The key difference between the two philosophies, and the critical factor that will determine the ultimate success of the country's transition, lies in the individual citizen's dynamic role in guiding his/her representative local government and in a shift to greater individual responsibility. Bulgaria's transition in the decentralization process is inhibited because the nominal ideology has changed without the requisite change in the attitudes and practices of its citizens. While ideals similar to those of capitalism are being introduced by the newly elected Bulgarian Socialist Party under the direction of Prime Minister Zhan Videnov, the functional reality of daily life in the country has yet to reflect a swift migration to market-oriented ideals. The underlying philosophical transition is a prerequisite to effect changes in the practical transition among the Bulgarian citizenry. The process is bound to be time-consuming because it involves adapting an entire environment to a new approach. Ultimately, the decentralization process that is critical to Bulgaria's economic independence depends on a foundation of citizen support and involvement and requires that responsibility for Bulgaria's economic condition be delegated to, and willingly accepted by, its citizens.

The Bulgarian central government is increasingly delegating financial responsibility for social programs and their related infrastructure to the local government level. Yet, this posture is creating increasing financial deficiencies at the local level due to significant inequities between local program costs and available local revenue sources. Financial pressure on local governments is exacerbated by high inflation (122 percent in 1994)[1] and underemployment. Without increasing local government autonomy over revenue administration, municipalities will be forced to cut services. This reality requires an admission unfamiliar to Bulgaria's central government: that delegating responsibilities to the local level also necessitates the requisite empowerment of local revenue authority to support those responsibilities. For an itemized list of Municipal and Administrative and Technical Bureau(ATB) expenditures, please refer to **Appendix A**.

Supporting the cost of some municipal services with user charges will inherently enhance local and central government efficiency by allowing for a more accurate assessment of demand

[1] *The New York Times International*, "Ex-Communist, 35, Good at Poker, and Bulgaria's New Hope," March 20, 1995, p. A5.

for services and the resultant reallocation of municipal resources for the common good. Regardless of the title of the economic doctrine, someone pays for everything that is provided to local citizens. The Bulgarian community at large needs to facilitate and encourage a more direct link between the providers and users of services.

2 IMPLICATIONS OF THE HISTORICAL GOVERNMENTAL STRUCTURE ON NEW ROLE OF GOVERNMENT

One of the principal obstacles in the transition to a market-oriented economy in Bulgaria is the insufficient transparency of the municipal government and related departmental processes. Greater transparency would improve communication between the citizens and the government that exists to protect the electorate's interests. The key word is "electorate": it implies a relationship that gives the average citizen a new, and presently unfamiliar, sense of independence and degree of leverage. With that leverage comes responsibility responsibility to be aware of and to improve the efficiency and appropriateness of government.

The move toward a market-oriented economy requires fundamental, ideological changes in the approach to the role of government and in the definition of community. The term used to describe government policy can change overnight; yet human behavior the way in which people interact, and, more importantly, the way people view their role as citizens and as community members must also change. The Bulgarian government can increase the pace of the transition by changing its behavior, infrastructure, and policies.

The former centrally planned system was one in which most municipal services were provided for all citizens, giving the citizens the impression that these services were being provided free of charge. The daily routine of each citizen did not require that they recognize the link between the tax revenue stream and those municipal services, and therefore did not require that the citizens take an interest in improving the system's efficiency. Consequently, in its role as a facilitator without much direct authority, the local government felt no impetus to track the costs of providing those services or to link the costs and processes related to the provision of those services to the relevant "user" population. Because the user of the service was not being charged directly, there was no incentive for the municipality to determine the cost of providing the service.

A good example is the typical water/wastewater utility. Currently, individual homeowners are not bearing proportionate responsibility for water usage and wastewater treatment because, under the former centrally planned system, utility connections to properties were made by floor rather than by unit and were made without the use of any water-flow metering system, allowing for no way to measure usage by occupant. As a result, the Architectural and Technical Bureau (ATB) responds to daily complaints from citizens regarding such minor problems as water leakage because the citizens making the complaints are not

motivated to fix minor problems themselves; they bear no direct financial liability for the problem.

The government's automatic provision of services to a community that believes it has an automatic right to receive them impedes advancement and restricts the benefits that a competitive environment can foster. Local governments in Bulgaria still provide many services without charge in an economy in which they no longer receive the related revenues to support the cost of providing those services. As a result of the decentralization process, the amount of revenue that reaches the local government has decreased while the corresponding local responsibility to provide services has increased, thereby creating a growing disparity that inhibits the ability of the local government to provide services to its citizens. What results is a trend of diminishing returns.

The objective of this report is to assist Bulgarian municipalities with technical and policy development skills related to financial management. These skills will ultimately heighten citizen awareness of and participation in the governmental process and will, thereby, increase the municipality's capacity to generate revenue. This report will focus on the process of assessing the cost/benefit relationship with regard to municipal services, i. e. , passing the cost of providing the service on to the end user. The goal is to initiate improvements in the tracking of municipal government revenues and expenditures and in the overall management of publicly owned assets and inventories. Local governments will be far better equipped to support the need for local revenue authority once an improved system is employed to track the data, show the current inequities between revenues and expendtu res, and, thereby, authenticate that need.

3 OBJECTIVE OF THE CASE STUDY

The City of Bourgas and, specifically, the City's Building Development Management Process are the subject of the case study that assesses the relationship between the cost of municipal services provided in Bulgaria and the revenues that pay for those services. The City of Bourgas provided a useful setting: municipal employees were extremely cooperative and provided the ICMA consultant team with a good basis of comparison for this process. The team visited Bourgas between February 21, and March 1, 1995, spending time primarily in the municipal departments that relate to the Building Development Management Process. In Bourgas, the local government continues to subsidize some public services that under a market-oriented structure would be more appropriately passed on to the individual. While the local government has implicit responsibility to support and manage infrastructure and public services for its citizens, it should not be expected to provide free services that cater to very specific groups of end-users. Yet, local fees for services provided by the Bourgas government are underutilized and require more active administration.

Enhancing the efficiency of the governmental resources will require certain changes to the present system. It is necessary to establish a more accurate link between the cost of providing

services and the charges that are assessed to cover those costs. Establishing fee-for-service relationships enables the local government to more accurately measure demand for municipal services. These relationships inherently create a mechanism with which to eliminate obsolete or inefficient services and establish new services in neglected areas.

At present, there is no efficient system for tracking the information necessary to calculate the cost of providing municipal services. This void in local management policy creates widespread inefficiency in municipal management by inhibiting accurate allocation of resources, budgeting, development planning, and capital management. By adopting a methodology for tracking and calculating the cost of providing municipal services, the local government will improve its allocation of resources, planning, and overall efficiency.

The fundamental philosophy and operational infrastructure in Bulgaria should more accurately reflect the effective change in the governmental role that has transpired over the past several years. For example, the size and characteristics of municipal government in Bourgas have not shifted to reflect the new idealogy. Costly duplication of services exists as a remnant of the former centrally planned government's dictate on employment. At least three divisions within the Bourgas administration are responsible in some way for property valuation services relating to various fees, etc. This duplication leads to confusion and inefficiency created by potentially assigning three, often very different, values to a given property and then creating three different fee structures that relate to those respective values. By examining the roles of all municipal employees and then accordingly attempting to maximize their efficiency, Bourgas could redirect its redundant human resources to other areas that are presently being neglected.

3.1 Property Value

According to Bourgas Administration, three separate, unrelated municipal divisions currently assign property values related to the following fee structures:

Example: a four-story apartment building in Bourgas with a total of sixteen apartment units **Total living area: 2,730 square meters**			
Name of Fee	Rate	Purpose for Valuation	Assigned Value Basis
Transfer Valuation Fee	0. 5%	transfer/inheritance/mortgage	120,000BGL
Property Tax	NA	property tax revenue	44,000BGL
Building Permit Fee	0. 2%	Building Permit revenue	77,333BGL
Developer's Actual Estimate of Construction Cost			5,278,000BGL
Source: Mr. Atanas Mihav, Head of the Budget Department, Office of Finance, Bourgas			

Municipal government exists to ensure that the interests of the general public are served. Within the realm of responsibilities of the local government, some duties relate to the general public and some relate to specific user audiences, both public and private. Governmental effi-

ciency and effectiveness can be enhanced by passing the costs of providing certain user-specific services on to the appropriate user audience. By requiring certain services to be self-supporting through user fees, the government could use its general revenues to more effectively support the implementation of necessary services that are more widely utilized (e. g. , street cleaning, garbage disposal, road maintenance, environmental protection/regulation).

The assessment team chose Building Development Management as the focus of the case study because this area of municipal responsibility encompasses development related to both public and private interests. Municipalities oversee construction of a wide variety of projects: public hospitals and privately developed apartment buildings, for example. While a hospital is built for the use of the general public to enhance the standard of living in the community, the apartment building is constructed for a specific group of residents and for the financial benefit of a private developer. Government oversight of the construction of these projects implies public assistance and, ultimately, financial liability for the responsible development of both public and private resources.

The development of a private enterprise, such as an apartment building, requires the use of municipal services (inspectors, utility access, garbage pick-up and disposal, road construction, community landscaping, street lighting, police/fire/ambulance, environmental regulation, etc.). The use of these services has measurable cost implications for the community during the pre-construction, construction, and post-construction phases. Municipal employees provide services: pre-construction survey work, earth removal, permit issuance, construction supervision, etc. for the benefit of a private enterprise. It is, therefore, legitimate that the developer of a private enterprise share in the cost of providing those municipal services. The developer has the opportunity to pass those costs on to the ultimate users, the tenants, once they occupy the building. When a municipal project, such as a hospital, uses these municipal services, the relevant costs are automatically borne by the community it serves through municipal taxes and other general revenues. The Building Development Management Process is, therefore, a good example of one in which municipal services are used by both public and private audiences and in which the cost of providing these governmental services can be established. For a breakdown of state, municipal and private housing construction, please see **Appendix B**.

4 INFORMATION GATHERING METHODOLOGY

When examining the Building Development Management Process in Bourgas, the team's information-gathering methodology considered all elements of the process and the related direct and indirect costs to the municipality: costs of human resources, machinery, physical resources (government offices), and their implied future replacement value. The team interviewed a wide variety of key government personnel, reviewed the record keeping process, and obtained relevant data (where available).

In trying to identify the costs related to the steps of the Building Development Management Process, it became clear that there has been little recordkeeping of relevant cost-related data. It was also extremely difficult to obtain historical data. Responsibility for maintaining Building Permit data lies in the local office where the Permits are actually issued. This information is not generally available for reference at the central office. Therefore, there are no cohesive, consistent central records that include data relating to various steps of the Process. Such data can be instrumental in the economic analysis of the municipality as a reflection of the business climate, local population changes, and economic prosperity. This data is also useful in the budgeting process and in making census predictions used for planning community development.

5 APPROACHING THE COST ASSESSMENT PROCESS

The initial, and likely the most important, step in identifying the cost of the Bourgas Building Development Management Process was to first define its function. By meeting with various municipal departmental heads, a consensus "process" was developed. Although the issuance of the actual Building Permit is the ultimate goal associated with this process, the process surrounding the actual permit issuance is far more extensive and involved than may be initially obvious. Eighteen steps were identified as representing the Building Development Management Process from the initial application for zoning of the construction site through final occupancy. These steps were divided into three stages: (1) Amendment of the Block Construction and Silhouette Plan (ABCSP), (2) Building Construction Permit Issuance, and (3) Control During Construction and Approval of the Building for Use. The specific steps in the Building Development Management Process in Bourgas, as provided by the ATB, are described in detail below, along with an estimate of the time required to complete each step. For more information, please see **Appendix C**.

6 THE PERMIT ISSUANCE PROCESS

I. Amendment of the Block Construction and Silhouette Plan (ABCSP)

1. Application for ABCSP

The developer (or other initiating party) makes an oral request to the District Architect or the District Technician, on behalf of the ATB, to amend the Block Construction and Silhouette Plan (thereby also seeking an amendment to the District Construction Plan). The developer's application is registered with the ATB, involving a registrar. The Regional Architect, land surveyor, and technician then verify the application and assign its placement within the current Block Construction Silhouette Plan applications before sending it to the Expert Committee (50 minutes - 150 minutes, averaging 120 minutes).

2. Review of the Application by the Expert Committee

An urban planning architect reviews the application for the amendment and decides if it should be submitted to the Expert Committee. If so, the Expert Committee meets weekly for one full day, during which it reviews a list of outstanding permit applications (averaging ten per week). Expert Committee members are appointed by the Mayor for annual terms and generally include: the Chief Architect, District Architects (5), Department Heads within the Territory & Settlement Directorate (3), appropriate Chief Technical Experts (water & sewer, ventilation, district heating, communications, electricity, cadastre, and attorney; 2-7), and Secretary. Often, more than half of each meeting is spent discussing construction permits and the Block Construction and Silhouette Plan. Discussion of each amendment application, including the initial review, takes up to 2 hours (averaging 20 minutes), depending on the location and the relative sophistication of the amendment involved. The group votes on the application and a final written decision (protocol) is prepared by the Expert Committee Secretary and reviewed and signed by the Head of the Territory & Settlement Directorate. The application is then considered approved (70 minutes).

3. Preparation of a Project Visa and Sketch of the Site

After the amendment is approved, the developer files an application with the ATB for a sketch of the site, involving a registrar. The technician draws the sketch, verifies and completes all relevant descriptive information, and submits it to the State Properties Department for verification of compliance with the Department's procedures by a Department technician. The text of the Expert Committee protocol is recorded on the sketch by the ATB architect, officially stamped, and considered verified (75 minutes).

4. Design of the ABCSP

The developer or owner designs the construction project relating to the approved amendment. The Regional Architect and the technician review the existing Block Construction and Silhouette Plan with the developer and consult with the City's Chief Marketing Expert (35 minutes).

5. Submission of Project Design to the ATB for the ABCSP

The design is registered with the ATB by an ATB registrar. The land surveyor and Regional Architect review the ABCSP and then submit it to the remaining technical experts for review and approval. Those experts represent the following areas: water & sewer, district heating, communications, and electricity (Approximately 65 minutes).

6. Approval of the ABCSP by the Expert Committee

The plan is reviewed by the Chief Expert for Territory & Settlement Development and submitted to the Expert Committee. Approximately ten percent of the plans that are submitted are returned for design changes. Once the final decision is made, a protocol is prepared by the Expert Committee Secretary and is then reviewed and signed by the Head of the Territory & Settlement Directorate (120 minutes).

7. Public Announcement of the ABCSP

The law requires public announcement of the final amendment. The number of notices varies (5-200) ; an average is 15-20 letters. The District Technician announces the amendment and is available to explain the amendment to interested parties. All amendments involve some level of public review. Any challenges to the amendment are filed at ATB, involving an ATB registrar (80 minutes each).

8. Review of the ABCSP by the Expert Committee

The ABCSP is resubmitted after a two-week waiting period. All appeals are reviewed and discussed by the Expert Committee. The number of appeals varies, but averages 3-5 per case (e. g. , 5 for private development and 3 for public development). Each appeal is discussed, a decision is rendered, and a separate protocol is written for each decision by the Expert Committee Secretary. The Head of the Territory & Settlement Directorate then reviews the protocols (60-70 minutes).

9. Order of the Mayor and Second Announcement of the ABCSP

A written order of the Mayor is prepared by the Chief Expert for the Technical & Services Bureau and is reviewed and signed by the Mayor. A second public announcement is distributed by the District Technician to concerned parties (private example: 15-20 letters). After the legal appeal period expires, the municipal attorney reviews the appeals and submits the case to the court for a final decision. The municipal attorney and the ATB Technician review the appeals and decide which parties should be notified (co-owners, neighbors, etc.) and which parties should be invited to the court proceeding. Approximately 25 percent of the ABCSPs go to court. The municipal attorney is required to participate in the lawsuit (265 minutes).

II. Building Construction Permit Issuance

10. Application for Sketch and Visa Preparation

The application for construction is filed with the respective ATB, involving an ATB registrar, and is then submitted to the Regional Architect. The sketch is prepared and is then submitted to the State Properties Department Expert, who, together with the file clerk of this department, verifies its compliance with the state and municipal property books. Co-owners are notified of the visa application by the ATB Technician (3-5 people;

25 minutes each). The sketch goes back to the ATB and the visa is entered by the District Architect in the sketch (40-65 minutes).

11. Review of Visa by Chief Technical Experts

The visa is reviewed by the Chief Technical Experts for water & sewer, electricity, district heating, and communications.

12. Preparation and Approval of the Architectural Design at Pre-Feasibility Phase.

The pre-feasibility architectural design is prepared by the developer or the owners, filed with the ATB by a technician, and is reviewed by the Regional Architect for compliance with the visa and the ABCSP. All owners are invited to agree to and sign the design at the ATB. In most cases, this process runs smoothly because approval has been obtained from the parties earlier. The signatures are collected by the ATB Architectural Technician. For the private enterprise example, 6 people signing 10 pages are assumed. If co-owners disagree on the pre-feasibility design, it is sent to court for settlement (80-100 minutes).

13. Working Phase: Preparation and Review of the Design of the Building

The architectural design is prepared by the developer's architects. An application is filed with the ATB and registered with the ATB registrar. The Regional Architect reviews the architectural design and compares the Phase I and Phase II designs. Other designs are reviewed and approved by the Head or the Chief Technical Expert of the relevant departments. The relevant departments generally include civil engineering, district heating, water & sewer, ventilation, electricity, construction planning, and cadastre (95 minutes).

14. Issuance of the Building Construction Permit

An application for a construction permit is filed at the local ATB. After all designs are reviewed and approved at the Technical Services Bureau of the municipality, they are brought to the ATB. All papers are reviewed by the Architectural Technician who then completes the Construction Permit, which is reviewed by the Head of the Technical Services Bureau and by the Head of the Infrastructure Department. The developer pays a Permit issuance fee and receives a copy of the Permit (80-90 minutes). For total building permits issued for 1994 in Bourgas, please see **Appendix D**.

15. Issuance of the Ground Construction Line

Two land surveyors visit the site and map the exact outlines of the construction area. They then complete a Construction Protocol. Total 5 hours per person.

16. Earth Excavation and Disposal Permit

The Infrastructure Department of the Technical Services Bureau controls the excavation, disposal, and storage of earth within the municipality during the pre-construction and construction phases. The Transport Expert maps the transportation route (1 hour) and the Earth Masses Control Expert, based on the construction permit, estimates the volume of

earth to be removed. The developer pays a fee per cubic meter which is set by the Municipal Council.

III. Control During Construction and Approval of the Building for Use

17. Review of Complaints Filed During Construction

There is no requirement for the municipality to monitor the construction process. In most cases, however, complaints regarding the related construction are referred to the municipality (ATB). The Regional Architect or technician visits the site, reviews the basis for the complaint, and makes a judgement on the required course of action. Each site visit takes the municipal architect approximately 1 hour. Most projects elicit several complaints (1-4, averaging 3).

18. Building Approval and Issuance of the Occupancy and Use Permit

After construction is complete, an Occupancy Approval Committee is asked to approve the actual use and occupancy of the property. This process has two alternatives, depending on the magnitude of the construction project.

Construction equivalent to more than six apartments the members of the Occupancy Approval Committee are determined by the State Inspectorate for Territory and Construction Control and include various industry experts. The municipality has one representative on the Committee usually the Regional Architect. The representative spends approximately one hour surveying the overall project construction quality and comparing it with the design specifications. In most cases, this process involves discussions with other experts on the committee (4-8 hours, averaging 6 hours).

Construction equivalent to less than six apartments the members (usually four or five) of the Occupancy Approval Committee are determined by the Mayor of the municipality. They usually include the Regional Architect, a technician, and other experts from the municipality. In most cases, the survey and approval process takes less than 4 hours.

7 MUNICIPAL OVERSIGHT OF THE BUILDING DEVELOPMENT MANAGEMENT PROCESS

Municipal oversight of building construction and overall development in the community is an important service. Employing a central development planning methodology reinforces the community's long-term viability by carefully considering the implications of proposed development: inherent benefits, potential drawbacks, and the potential effects of demand on local capital resources. Related supervision and guidelines (building inspections, construction standards, fire code regulations, assessment of maximum occupancy measurements, etc.) enhance community safety by establishing parameters for compliance with minimum safety

standards. Most importantly, the municipality's oversight of building development in the community reassures citizens of certain minimum standards on which they can depend. Municipal oversight of the building process provides a way for qualified municipal personnel to determine compliance with those standards on behalf of local citizens.

When considering the cost to the municipality for providing services involved in the Building Development Management Process, the following are examples of some of the less obvious services, and therefore costs to the municipality, that are often overlooked or underestimated.

- *Municipal Staff Directly Related to the Issuance of Permits* : Technicians, Architects, Supervisors, Inspectors, Supervisory Staff, Fee Collectors, Deed Renewal and Review Personnel, Title Confirmation/Change Personnel, Expert Council, City Members of Expert Council (meeting preparation time/actual meeting time/general oversight and review), Local District Members, Subcontracted Lawyers, etc.
- *Municipal Support Staff* : salary and benefit costs associated with staff that provide the required support for the existing municipal technical staff to facilitate all steps in the Building Development Management Process, City Hall staff, office space, maintenance of the office space, etc.
- *Property Valuation/Assessment* : staff involved in all aspects of property value assignment and administration; Land Surveyors.
- *Municipal Utility and Infrastructure/Utility Connection* : hooking up the new construction project to the existing infrastructure systems: electricity, water & sewer, district heating, communications, maps, cadastre, garbage collection, earth disposal, street cleaning, etc.
- *Property Zoning and Transfer.*
- *Machinery Purchase/Maintenance* : cost of surveying equipment, cars and trucks to access the property, related fuel costs, paper and postage, office equipment, etc.

The indirect and direct costs related to each of these functions involved in the process include:

- Salary and benefit costs for the portion of the staff member's time allotted to that activity for each staff member involved;
- portion of overhead/rent expense for office space assigned to staff members involved;
- preparation/printing/mailing costs of any related notices;
- required ongoing maintenance activities;
- other capital and human resources used in job function.

Please refer to **Appendix E** for a specific breakdown of costs to the municipalities during the Building Development Management Process.

8 OBSERVATIONS AND RECOMMENDATIONS

The following are observations and recommendations to improve the transparency and efficiency of the Building Development Management Process process in Bourgas. Also mentioned are potential obstacles that may be encountered along the way.

8.1 Decentralize Revenue Authority/Increase Intergovernmental Cooperation

The principal recommendation is that local government be given the authority to independently assess and enforce reasonable service fee structures: some would be based on local voter approval and others on departmental prerogative. Bulgaria's economic sustainability depends on improved cooperation between the central and local governments and among local government offices. The central government's delegation of responsibility for social programs is having an increasingly corrosive effect on the quality of life at the local level. Diminishing financial resources are being stretched to meet increasing requirements. The two forces are counterproductive and are exacerbating fiscal deterioration. In Bourgas, for example, the Notary Public tracks changes of address but is not required or encouraged to communicate these changes to the ATB. This lack of information leads to inconsistency of municipal records, skews related census data, and is ultimately costly and time-consuming.

8.2 Improve Organizational Structure and Accountability

The current organizational structure is inhibiting productivity. The central government offices are physically segregated, reinforcing that lack of communication. There appears to be little regular communication between the local district offices and central staff. Village Mayors are appointed by the Municipal Mayor and are likely to be receptive to increased cooperation between the two administrations. This relationship and potential cooperation should be more fully utilized.

Recordkeeping is arbitrary and items are consolidated, inhibiting accurate assessment of the relevance of services and their costs. A central repository should be established for information on the local population characteristics and all related activities.

The reporting structure among municipal employees should be emphasized and reinforced, encouraging employee input from support staff to senior management and vice versa. Supervisors should be held accountable for the activities of all staff they supervise. Staff summary reports should be prepared regularly, at appropriate intervals, and submitted to senior municipal staff for review and comment. Supervisors should be familiar with details related to their area of expertise, actively review summary information submitted by subordinate staff members, respond as necessary, and have relevant data readily available. Senior staff must lead the reform of the daily staff routine to heighten overall efficiency.

8.3 Provide Incentives

All municipal employees should be given specific responsibilities and target results for a predetermined period. Performance reviews with supervisors should be formal and regularly scheduled (semi-annual reviews are recommended) with opportunity for constructive feedback in both directions. A revised system of financial incentives for various levels of strong and improved performance should be initiated, and all municipal staff should be informed of its existence. The establishment of a widely adopted incentive program will enhance productivity and will, therefore, pay for itself in the short term.

8.4 Collect and Maintain Data

The data collection and maintenance process appears disorganized, inefficient, and inconsistent. Particular attention should be paid to ensuring optimal data consistency: minimizing the number of sources for each type of data to avoid skewed information, minimizing the number of input factors to establish data benchmarks, creating uniform data forms to ensure consistent responses to data inquiries, proofreading and rechecking data for accuracy, etc. Historical data, while not currently readily available due to the changes in governmental structure and operational policy, should be carefully maintained for general use. Recordkeeping should be computerized, with backup copies of data stored in alternate locations in case of damage to originals.

Excessive duplication of related duties, such as property valuation, results in inefficiency and inconsistent data. Related departments should be encouraged to divide duties and improve productivity by initiating duties previously neglected, such as review of data for budgeting and planning purposes.

8.5 Improve Budgeting, Standardization, and Timeliness of Data

Budgeting is crucial to the accurate assessment of current and future cost requirements for social programs, capital expenditures, service capacity, housing and urban development, infrastructure needs, etc. Independent revenue sources and the key indicators for demand relating to those revenue sources should be separated for accounting purposes to enable the government to track the efficiency and appropriateness of fees and the demand elasticity related to the fee structure.

Census data should be processed on a timely basis, with particular attention to detail and accuracy. Penalties for non-compliance should be instituted. The 1995 Interim Census should be processed as soon as possible and used as a benchmark to establish greater reliability of data. The methodologies and benchmark measures employed in data collection should be efficient, readily understood, consistent with international standards, and reported regularly and clearly to local citizens. A penalty structure for non-compliance should be readily enforced to encourage more accurate information collection.

8.6 Closely Examine the Property Valuation System

Currently, the transfer/sale of municipal property to a private entity involves the assessment of a fee that is based on the property's municipal asset value. The Mayor's Comission assigns the asset value on a case-by-case basis. "Market value" of a property is only set in market conditions when a transaction of sale/transfer takes place, thereby inherently assigning a value to the property during the transfer. Because of this, there are two basic values to consider regarding property: "assessed value" and "market value. " The "assessed value" can be reset when the property changes hands to more accurately reflect the inherent "market value. " However, between sales/transfers, assessed value should be regularly reconsidered and adjusted to reflect theoretical values for the relevant market conditions, i. e. , tax on what the property is theoretically worth if sold at any given time. Conservative values should be assigned using a systematic approach involving consideration of the following characteristics:

- location (desirability)
- size (number of bedrooms/square meters)
- type (residential/commercial)
- state of repair/general condition
- surrounding property (quantity and characteristics)
- structural qualities (masonry, pre-fabricated, etc.)
- enhancement characteristics (e. g. , number and modernization of bathrooms and kitchen)
- mechanical systems: type and condition (heating, etc.)
- exterior conditions (roof/downspouts, etc.)
- quality of life and attributes of the local subdivision (quality of schools, public safety, utility infrastructure, roads, city resources, utility access, etc.)

Barring a sale of the property that would automatically reset its recorded value, regularly scheduled evaluations (e. g. every three years) would reflect comparable area home/property sales for similar structures.

8.7 Closely Examine the Property Tax Structure and the Reliability of Data Source

Building Permit Fees fall under the Urban Development Act, and therefore the City Council's autonomy in determining the rate-setting methodology is currently restricted: the Permit Fee is a percentage of assigned/reported "property value." Although the fee ratio is currently low, a more accurate assessment of the denominator the reported property value can enhance fee revenue in a positive market environment.

The property valuation that is the variable denominator in the Building Permit Fee calculation comes from a source that has a disincentive to report accurate information: the payor, the developer paying the fee. Therefore, the system provides a disincentive to accurately report the estimated property construction cost on which the Permit Fee is based. While submission of

proof of construction costs should be required, that should not be the only basis for the Permit Fee assessment. The property valuation system is irregular and inconsistent: there is no direct linkage to "market value" due to the relative stagnation of property sales. The municipal bureau that reviews the specific construction plan and is familiar with the costs of materials should carefully appraise each property. The real estate valuation system should be standardized and all taxes/fees pertaining to the real estate values should be based on one recorded value, thereby allowing for fluctuations in revenue as a result of market price or assessed value. Design proposals should include the budgeted and projected cost of the project and should require proof of final cost parameters to prohibit the arbitrary assignment of a cost basis that will ultimately benefit of the payor.

8.8 Improve the Relationship Between Local Authorities and the Developers

An effort toward improved cooperation is necessary to encourage development. Fee structures should be revised with advance notice given to developers for budgeting and planning purposes. The inefficiency of the present system allows room for behind-the-scenes activity and preferential treatment that only widens the chasm between governmental staff and local private enterprise. A strict schedule of penalties for non-compliance with local procedures should be distributed to all private and government entities involved in development. Enforcement of the relevant penalties should be swift and firm to illustrate an intolerance for illegal activity.

8.9 Assess and Revise Fee Structure

Enforce the fees and policy guidelines (with public notice) and implement fee increases and changes gradually (within reason) to monitor developer reaction and avoid adverse results. New development, in particular, can more easily support increased fees. For example, the developer of an apartment building can amortize the development fees over the rental period and thereby avoid excessive strain on existing renters. Careful consideration should be given to the practicality of the fee being imposed(i. e. , a directly assessed fee for garbage disposal would create a disincentive for cleanliness and would result in dumping to avoid paying the fee.)

8.10 Reinforce the Banking System

With roughly 70 percent of the local budget revenue coming from the central government, there is clearly a need for investment incentives among local citizens. The banking system needs governmental reinforcement to spawn local investment. Loan terms, presently averaging three years with a practical maximum of five years, are counterproductive because they are too short to encourage development at the local level. Consequently, developers have become the banks and the lenders of last resort.

8.11 Improve Government Productivity

The size of the Bourgas City Council, for example, creates sluggishness and inefficiencies in the deliberation and resolution of matters before the Council. A committee structure could be employed to address individual areas of concern and make proposals to the Council for final consideration. Regular, perhaps monthly, meetings are especially important during Bulgaria's dynamic transition, as there are more items before the Council and more variables that require careful consideration.

8.12 Improve City's Response Time for Permit Activity and Institute Formal Dispute Procedures

Response time is theoretically ten days but, in fact, often takes much longer. The City must set an example by complying with established response time guidelines. By being more respectful of the developer's timetable and responsive to the developer's budgeting needs, Bourgas will encourage development and related private investment. Formal dispute procedures should be revisited and both the developer's and the City's allowed response time should be enforced to maximize efficiency.

8.13 Institute/Revise Backup Plans for System Deficiencies and Emergencies

All major municipal operations in Bourgas the water system, electrical system, or data management should have emergency backup plans in case of system fault. Construction interruption is expensive and can have a domino effect on related expenses.

8.14 Reinforce Citizen Perception of Ownership in Community

Communication with citizens and enforcement of the citizen participation process reinforces the system's effectiveness and maximizes potential benefits. The local citizens will take greater responsibility for the economic support of their local government if they feel informed and involved in prospective changes. The City should release a consensus of revised plans, making the public aware of economic indicators and their relative changes, and explain their implications for the future. The City should also hold public meetings to explain and discuss approaches and their prospective benefits and to request citizen cooperation and input. Educating citizens about economic indicators and municipal processes reduces the potential for adverse reaction by explaining the rationale for the relevant municipal fee structure or policy. By enforcing all established City procedures and fee structures, the City maximizes its own leverage and the potential program success.